

Message Text

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C O N F I D E N T I A L SECTION 01 OF 06 OECD PARIS 12417

FOR SECRETARY VANCE FROM AMBASSADOR TURNER

E.O. 11652: GDS
TAGS: OECD, EFIN, ECON
SUBJECT: SOME OBSERVATIONS AND RECOMMENDATIONS ON
INSTITUTIONAL ASPECTS OF WORKING THROUGH OECD

REFS: (A) OECD 9564, (B) OECD 2175, (C) OECD 981

1. ON THE EVE OF MY DEPARTURE I WOULD LIKE TO OFFER
THESE THOUGHTS AND SUGGESTIONS ON THE INSTITUTIONAL
ASPECTS OF USING THE OECD MORE EFFECTIVELY FOR THE
ADVANCEMENT OF U.S. ECONOMIC POLICY INTERESTS. THIS
MAY BE HELPFUL AS YOU PROCEED TO FINAL PREPARATIONS
FOR THE SUMMIT. IT IS MY CONSIDERED BELIEF THAT AT
THAT MEETING AND AT OTHER APPROPRIATE OPPORTUNITIES WE
SHOULD TRY TO CREATE THE POLITICAL WILL AMONG OUR
PRINCIPAL ALLIES FOR PURSUING ECONOMIC COOPERATION
OBJECTIVES MORE DELIBERATELY THROUGH ESTABLISHED
INSTITUTIONS. BILATERAL CONTACTS AND AD HOC MULTILATER-
AL GROUPINGS HAVE AN IMPORTANT ROLE TO PLAY IN CREATING
THE NECESSARY MUTUAL UNDERSTANDINGS. BUT ASSUMING
SOUND POLICIES (AND INSTITUTIONS AND PROCEDURES
OBVIOUSLY CANNOT SUBSTITUTE FOR SUBSTANCE), A COHERENT
INSTITUTIONAL APPROACH TO ECONOMIC COOPERATION SHOULD
RENDER THESE POLICIES MORE EFFECTIVE IN BOTH THEIR
FORMULATION AND THEIR IMPLEMENTATION.

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2. BASED ON OUR EXPERIENCE HERE AN INSTITUTIONAL
APPROACH CAN ASSURE:

-- CAREFUL OBJECTIVE PREPARATION AND
DOCUMENTATION BY AN EXPERT INTERNATIONAL
SECRETARIAT;

-- THE DEVELOPMENT OF AN INTERNATIONAL VIEW
THROUGH THE VARIOUS BODIES OF THE
ORGANIZATION AS OPPOSED TO CONFLICTING
NATIONAL VIEWS OF WHAT NEEDS TO BE
DONE, WHICH FACILITATES THE EXTENSION OF
INTERNATIONAL DISCIPLINE;

-- SYSTEMATIC FOLLOW-UP OF CONSENSUS REACHED.

3. A DEEPER OBJECTIVE OF INSTITUTIONALIZATION UNDERLIES
THESE ADVANTAGES -- TO MAKE INTERNATIONAL COOPERATION
MORE STABLE, CONSISTANT AND PREDICTABLE, THUS CONTRI-
BUTING TO THE EVOLUTION OF A VIABLE ECONOMIC SYSTEM.
BY BUILDING ON THE EXPERIENCE AND PRECEDENT OF
INSTITUTIONALIZED ECONOMIC COOPERATION IN THE POST-WAR
PERIOD WE ARE IN A BETTER POSITION TO DEAL WITH THE NEW
CHALLENGES CONTINUALLY ARISING OUT OF GLOBAL INTER-
DEPENDENCE.

4. I AM AWARE OF THE DISADVANTAGES OF INSTITUTIONS
WHICH OFTEN IMPEL SNEIOR POLICY OFFICIALS TO SEEK TO DO
IMPORTANT BUSINESS ELSEWHERE. THESE INCLUDE CUMBERSOME
PROCEDURES, LOQUACIOUS FORMAL STATEMENTS, AGGRESSIVE
INTERNATIONAL BUREAUCRACIES AND LACK OF PRIVACY FOR
TAKING UP SENSITIVE ISSUES. THIS IS OF COURSE THE
OTHER SIDE OF THE COIN. I FEEL HOWEVER THAT WITH A
COHERENT AND CONSISTENT INSTITUTIONAL APPROACH WE CAN
MITIGATE THESE SHORTCOMINGS AND MAXIMIZE THE UTILITY OF
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BOTH EXISTING INSTITUTIONS AND AD HOC MEETINGS.

5. THE ACHIEVEMENTS OF OECD IN THE LAST THREE YEARS
ILLUSTRATE THE POSSIBILITIES. THUS SINCE MAY OF 1974
OECD HAS INTER ALIA:

(A) DEALT WITH THE ENERGY PROBLEM BY SETTING
UP WITHIN ITS FRAMEWORK THE INTERNATIONAL
ENERGY AGENCY WITH ITS OWN RULES AND MODUS
OPERANDI AND WHICH

-- ADOPTED A BINDING SCHEME FOR SHARING OIL
IN EMERGENCIES;

-- AGREED ON A FRAMEWORK FOR LONG-TERM

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C O N F I D E N T I A L SECTION 02 OF 06 OECD PARIS 12417

COOPERATION TO IMPROVE THE ENERGY
DEMAND/SUPPLY BALANCE;

-- LAUNCHED AN EXERCISE AIMED AT REDUCING
INDUSTRIALIZED COUNTRIES' DEPENDENCE ON
IMPORTED OIL;

-- INITIATED A NUMBER OF IMPORTANT COOPER-
ATIVE R AND D PROJECTS.

(B) ADDRESSED THE CRITICAL ECONOMIC SITUATION
CHARACTERIZED BY THE DEEPEST RECESSION IN
POST-WAR HISTORY AND BY HIGH INFLATION AND
UNEMPLOYMENT RATES THROUGH

-- ENHANCING ECONOMIC POLICY CONSULTATIONS
AND ADOPTING AT MINISTERIAL LEVEL A
COHERENT COMMON STRATEGY FOR SUSTAINABLE
GROWTH;

-- ENACTING AND RENEWING THE TRADE PLEDGE BY

WHICH MEMBER COUNTRIES POLITICALLY COMMI-
TTED THEMSELVES TO AVOID SOLVING THEIR
EXTERNAL PROBLEMS THROUGH BEGGAR-THY-

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NEIGHBOR TRADE POLICIES;

- ACTING TO SHORE UP FINANCIAL MARKETS AND COUNTRIES' ABILITIES TO DEAL WITH THEIR EXTERNAL PROBLEMS BY NEGOTIATING THE OECD FINANCIAL SUPPORT FUND;
- ADOPTING MINISTERIAL-LEVEL RECOMMENDATIONS FOR AN ACTIVE MANPOWER POLICY APPROPRIATE TO THE FIGHT AGAINST INFLATION;
- ESTABLISHING A PANEL OF DISTINGUISHED ECONOMISTS CHAIRED BY PAUL MCCrackEN TO FORMULATE MEDIUM TERM POLICY RECOMMENDATIONS FOR ACHIEVING SUSTAINABLE ECONOMIC GROWTH WITHOUT INFLATION.

(C) MOVED TO REGULATE NEW AREA OF POTENTIAL SENSITIVITY IN INTERNATIONAL RELATIONS BY ESTABLISHING THE FIRST SET OF INTERRELATED UNDERSTANDINGS ON INTERNATIONAL PRIVATE DIRECT INVESTMENT AND MULTINATIONAL ENTERPRISES;

(D) RESPONDED TO THE NEW CHALLENGE OF RELATIONS WITH DEVELOPING COUNTRIES BY

- ENDORSING AT MINISTERIAL LEVEL THE ESTABLISHMENT OF WHAT LATER BECAME THE CONFERENCE ON INTERNATIONAL ECONOMIC COOPERATION (CIEC), TO CARRY ON THE NORTH/SOUTH DIALOGUE;

- ORGANIZING FLEXIBLY TO COORDINATE THE EVOLVING POLICIES OF THE INDUSTRIALIZED COUNTRIES ON THE NORTH/SOUTH RELATIONSHIP

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WITH PARTICULAR REFERENCE TO THE CIEC DIALOGUE THROUGH THE HIGH LEVEL EXECUTIVE COMMITTEE, AND VARIOUS SPECIALIZED GROUPS;

- AGREED TO CONSIDER A LONGER-TERM INTEGRATED STRATEGY FOR RELATIONSHIPS WITH DEVELOPING COUNTRIES;

(E) LAUNCHED A MANIFOLD INVESTIGATION OF THE NEW FACTS, TRENDS, AND PROBLEMS IN EAST-WEST ECONOMIC RELATIONS;

(F) ESTABLISHED A THREE YEAR THINK-TANK PROJECT

TO DEFINE THE LONGER-RANGE POLICY ISSUES IN
THE DEVELOPMENT OF INDUSTRIALIZED SOCIETIES
IN RELATIONSHIP WITH THE DEVELOPING COUNTRIES.

6. ALMOST ALL OF THESE ACCOMPLISHMENTS RESULTED FROM
AMERICAN POLICY INITIATIVES AND LEADERSHIP IN THE OR-
GANIZATION. BEFORE ARRIVING HERE IN THE SUMMER OF 1974,
I HAD HEARD EXPRESSIONS OF SKEPTICISM WHETHER THE OECD
WAS SUFFICIENTLY ADAPTABLE TO UNDERTAKE WITH DISPATCH

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C O N F I D E N T I A L SECTION 03 OF 06 OECD PARIS 12417

IMPORTANT NEW POLICY ASSIGNMENTS IN A CHANGING ECONOMIC
ENVIRONMENT. HOWEVER, THE EXPERIENCE OF THE LAST THREE
YEARS HAS DEMONSTRATED THAT GIVEN THE PROPER LEADERSHIP
BY THE U.S., THE ORGANIZATION HAS THE NECESSARY FLEXI-
BILITY TO ADAPT TO NEW RESPONSIBILITIES FOR ECONOMIC
COOPERATION. AND THE EXERCISE OF OUR INITIATIVES WITHIN
THE OECD STRENGTHENED THAT INSTITUTION WHICH IN TURN
ENHANCED OUR ABILITY TO PURSUE FURTHER OUR ECONOMIC
POLICY OBJECTIVES HERE.

7. OF COURSE THERE HAVE ALSO BEEN AREAS OF WEAKNESS IN
THE PERFORMANCE OF THE ORGANIZATION. SOME IMPORTANT
COMMITTEES, SUCH AS THE HIGH LEVEL EXECUTIVE COMMITTEE
IN SPECIAL SESSION, HAVE NOT LIVED UP TO THEIR FULL
POTENTIAL. OTHERS, SUCH AS WORKING PARTY 3 ON BETTER
PAYMENTS EQUILIBRIUM, HAVE TURNED IN LESS THAN BRILLIANT
PERFORMANCES RECENTLY. SOME EXERCISES HAVE BEEN SLOW
TO GET OFF THE GROUND, SUCH AS THE DEVELOPMENT OF AN
INTEGRATED NORTH/SOUTH STRATEGY. IN SOME CASES THE

ISSUES THEMSELVES WERE NOT RIPE FOR SUCCESSFUL INTERNATIONAL ACTION EITHER BECAUSE OF THEIR INHERENT COMPLEXITY OR BECAUSE GOVERNMENTS WERE NOT READY TO TAKE THE ADVANCED SUBSTANTIVE POSITIONS TO DEAL WITH THEM.

8. SUCH CASES ASIDE, THERE ARE VARIOUS AND DIFFERENT
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REASONS FOR WEAKNESSES INCLUDING AT TIMES POOR CHAIRMANSHIP, TOO MANY COUNTRIES REPRESENTED, OR THE WRONG OR SPOTTY REPRESENTATION FROM MEMBER GOVERNMENTS. HOWEVER, OUR ANALYSIS SHOWS THAT OVER THE YEARS TWO OF THE MOST IMPORTANT FUNDAMENTAL INSTITUTIONAL REASONS FOR POOR PERFORMANCE HAVE BEEN:

-- THAT THE EUROPEAN COMMUNITY AS A GROUP,
OR SOME OF ITS MEMBERS, HAD A REASON RELATED
TO THE INTERNAL WORKING OF THE COMMUNITY FOR
NOT TAKING UP A GIVEN SUBJECT IN OECD;

-- THAT ONE OR ANOTHER U.S. GOVERNMENT DEPARTMENT
PREFERRED TO TAKE UP A GIVEN SUBJECT IN
ANOTHER FORUM.

9. THUS, EVEN THE MAIN SOURCES OF WEAKNESS OF SOME OECD ACTIVITIES ILLUSTRATE THE POINT. THE EFFECTIVENESS OF INTERNATIONAL INSTITUTIONS OR THEIR CONSTITUENT BODIES, (PARTICULARLY SO OF THE OECD) IS DETERMINED USUALLY BY THE QUALITY OF LEADERSHIP, THE LEVEL OF REPRESENTATION, AND THE SENSE OF DIRECTION PROVIDED BY THE U.S. AND OTHER LEADING COUNTRIES.

10. I AM CONVINCED THAT THE DEMANDS OF INTERDEPENDENCE AND THE CLOUDY ECONOMIC OUTLOOK SUMMARIZED BY THE MISSION IN OUR ANNUAL POLICY ASSESSMENT REQUIRE THAT WE INTENSIFY EFFORTS TO RENDER MORE EFFECTIVE OUR ECONOMIC COOPERATION WITH OTHER INDUSTRIALIZED COUNTRIES THROUGH OECD. THIS ORGANIZATION IS A PARTICULARLY APPROPRIATE INSTITUTIONAL INSTRUMENT FOR THIS PURPOSE BECAUSE IT HAS THE RIGHT MEMBERSHIP -- THE GENERALLY LIKE-MINDED INDUSTRIALIZED, MARKET ECONOMY DEMOCRACIES - - AND THE NECESSARY BROAD FLEXIBLE MANDATE TO DEAL WITH THE FULL RANGE OF ECONOMIC PROBLEMS WHICH THEY CONFRONT IN COMMON. IT IS THE ONLY INSTITUTIONAL MEANS FOR ON-
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GOING CONSULTATION ON THE COMPLETE SPECTRUM OF ECONOMIC
ISSUES IN A CONSTRUCTIVE ENVIRONMENT AMONG THE U.S., AN
EMERGING EUROPE, AND JAPAN.

11. ESSENTIALLY THIS MUST BE DONE BY CONTINUING TO
EXERCISE U.S. LEADERSHIP IN THE FORM OF SOUNDLY BASED
POLICY INITIATIVES. OUR ANNUAL POLICY ASSESSMENT
RECOMMENDED A SUBSTANTIAL NUMBER OF NEW COURSES OF
ACTION, MANY OF WHICH COULD PROVIDE THE BASIS FOR FUR-
THER U.S. POLICY INITIATIVES IN OECD. IN PARTICULAR I
WOULD COMMEND TO WASHINGTON THE CAREFUL CONSIDERATION
OF OUR PROPOSAL FOR AN INTEGRATED APPROACH TO ECONOMIC
POLICY COORDINATION SET FORTH IN PARA C, 1 OF THE
ASSESSMENT AND EARLIER IN REF TELS B AND C SENT ON THE
OCCASION OF THE MONDALE VISIT.

12. BEYOND THE INDISPENSABLE SUBSTANTIVE LEADERSHIP OF
THE U.S., I WOULD MAKE THE FOLLOWING OBSERVATIONS AND
RECOMMENDATIONS ON MORE INSTITUTIONAL ASPECTS:

13. FIRST, EXPERIENCE HAS SHOWN THAT NO
CHANGE IN THE OECD CONVENTION IS NECESSARY TO ACCOMPLISH
ANYTHING WE WISH TO DO HERE. IT IS AN EXTREMELY FLEXI-

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BLE INSTRUMENT AND CAN ACCOMMODATE VIRTUALLY ANY
INITIATIVE FOR WHICH THERE IS THE REQUISITE POLITICAL
WILL ON THE PART OF THE MAJOR COUNTRIES.

14. SECOND, THE RULE OF UNANIMITY CAN BE A STRENGTH

RATHER THAN A WEAKNESS IN THAT IT ALLOWS CONSIDERATION OF INNOVATIVE PROPOSALS WITH ASSURANCE THAT NO ACTION IS TAKEN OVERRIDING IMPORTANT NATIONAL INTERESTS. MORE-OVER, IF THE MAJOR POWERS, PARTICULARLY THE U.S., PROVIDE THE LEADERSHIP TO DEAL WITH IMPORTANT ISSUES, THE SMALL COUNTRIES WILL ALMOST INVARIABLY GO ALONG OR AT WORST ABSTAIN, RATHER THAN USE THEIR VETO POWER.

15. THIRD, THE SIZE OF GROUPS, I.E., THE NUMBER OF COUNTRIES REPRESENTED, HAS NOT BEEN A SIGNIFICANT OBSTACLE TO A MEANINGFUL DISCUSSION WHEN THE SUBSTANCE AND LEADERSHIP WERE AVAILABLE VIZ THE SUCCESSFUL EXPERIENCE OF THE NINETEEN MEMBER INTERNATIONAL ENERGY AGENCY. NEVERTHELESS, THE BIG COUNTRIES FREQUENTLY FIND IT NECESSARY TO GET TOGETHER TO TAKE UP THE KEY ISSUES IN SMALLER GROUPS IN A MORE FRANK AND DIRECT MANNER. TO DO THIS THERE IS NO REASON TO EXPEND POLITICAL CAPITAL IN SEEKING TO ESTABLISH OFFICIALLY RESTRICTED GROUPS OVER THE RELUCTANCE OF THE SMALLER COUNTRIES. THE LARGER COUNTRIES HAVE IN THE CASE OF A

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NUMBER OF IMPORTANT COMMITTEES SUCH AS THE ECONOMIC POLICY COMMITTEE AND THE HIGH LEVEL EXECUTIVE COMMITTEE SET UP INFORMAL QUOTE BUREAUS UNQUOTE TO VET THE ISSUES MORE THOROUGHLY AND TO DEAL WITH MORE SENSITIVE ISSUES IN PRIVACY. THE NUMBER OF COUNTRIES PARTICIPATING IN THESE MORE INFORMAL GROUPS IS GENERALLY SEVEN (THE SUMMIT COUNTRIES), IN SOME CASES WITH ONE OR TWO MORE OFTEN INCLUDING THE REPRESENTATIVE OF THE COMMISSION. THE FORMAT HAS BEEN EITHER AN INFORMAL DINNER AND RELATED MEETING, OR, AS IN THE CASE OF THE INTENSIVE PREPARATIONS FOR THE 1976 MINISTERIAL MEETING, INFORMAL MEETINGS OF THE SEVEN PERMREPS AND THEIR DEPUTIES CONVENED BY THE SECRETARY-GENERAL. I BELIEVE THE SUMMIT GROUPING SHOULD BE FURTHER DEVELOPED IN OECD BY PROGRAMMING MORE TIME FOR THE INFORMAL BUREAUS THAT EXIST AND BY CREATING INFORMAL BUREAUS IN OTHER COMMITTEES WHERE APPROPRIATE.

16. FOURTH, IT SHOULD BE AN OBJECTIVE TO CREATE A DE FACTO LINK BETWEEN THE OECD AND THE SUMMITS. THIS SHOULD BE DONE BY MORE EXTENSIVE AND MORE OVERT USE OF SECRETARIAT DOCUMENTATION IN PREPARATION FOR THE SUMMIT, THE USE OF HIGH LEVEL OECD BODIES AND/OR THEIR BUREAUS (COMPOSED OF THE SUMMIT COUNTRIES) TO PREPARE FOR SUMMITS, AND THE DELIBERATE USE OF OECD TO IMPLEMENT CONSENSUS REACHED AT THE SUMMIT BY SUCH MEANS AS THE SUMMIT'S ADDRESSING SPECIFIC SUGGESTIONS TO OECD FOR FOLLOW-UP. THE OECD CAN CONTRIBUTE TO THE SUMMIT

PROCESS BY

-- OFFERING AN EXPERT SECRETARIAT AND ESTABLISHED
MULTILATERAL WORKING GROUPS, OFTEN AT SENIOR
POLICY OFFICIAL LEVEL, WHICH ARE WELL ABLE TO
PREPARE PAPERS AND ANALYSES FOR USE AT THE
SUMMIT;

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-- PROVIDING A VEHICLE FOR FOLLOWING THROUGH
ON SUMMIT INITIATIVES; AND

-- ENABLING US TO DRAW THE SMALLER COUNTRIES
INTO THE SUMMIT PROCESS INFORMALLY AND BY
ASSOCIATION, GIVING THEM A SENSE OF PARTICI-
PATION IN THE ACTION.

17. FIFTH, THE ROLE OF THE EC IN OECD SHOULD BE SPECIFI-
CALLY RECOGNIZED AND DEALT WITH IN A MORE
CONSISTENT AND COORDINATED FASHION. IT WOULD BE
PARTICULARLY IMPORTANT TO BEGIN DOING THIS SOON IN VIEW
OF THE PROSPECTS FOR A PROCESS OF CONTINUING ENLARGEMENT
OF THE COMMUNITY. AT THE SAME TIME THE EC IS CONTINUALLY
SEEKING TO EXTEND ITS COMPETENCE INTO MORE FIELDS OF
ACTION AND IN THE PAST WE HAVE HAD DIFFICULTIES IN TAKING
UP IN OECD SUBJECTS ON WHICH THE EC IS TRYING TO SPEAK
WITH ONE VOICE BUT ON WHICH IT HAS NOT YET ACHIEVED A
COMMON POLICY. FOR EXAMPLE, ON GENERAL NORTH/SOUTH
DEVELOPMENT ISSUES THE EC AT FIRST DELIBERATELY TRIED TO
PREVENT OR DOWNGRADE ANY OECD DISCUSSION OF CIEC OR ANY
OECD LINK WITH THE CIEC COORDINATION PROCESS. ON
ECONOMIC AND MONETARY POLICY PROBLEMS, THE EC AS SUCH,

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WHOSE ROLE IS STILL EMBRYONIC, HAS NOT ATTEMPTED TO INTERFERE WITH OECD. ON TRADE AND AGRICULTURE ISSUES, WHERE EC COMPETENCES ARE CLEAR, THE EC NOW SPEAKS QUITE CONFIDENTLY AND PARTICIPATES ACTIVELY IN OECD FORUMS.

18. AS IT IS A CLEAR AND CONSISTENT D.S. POLICY OBJECTIVE TO FOSTER EUROPEAN INTEGRATION AND EXTEND THE COMMUNITY COHESION TO MORE FIELDS, THE U.S. SHOULD SEEK TO REACH SOME UNDERSTANDING WITH THE COMMUNITY ON HOW WE AND THEY WILL ACT IN OECD. IN OUR VIEW WE SHOULD NOT REGARD THE OECD AND US-EC BILATERAL RELATIONSHIPS AS ANTITHETICAL, WITH THE FORMER BEING USED WHERE THE EC HAS NO COMPETENCE AND THE LATTER WHERE IT HAS. THERE ARE TOO MANY IN-BETWEEN STAGES OF COMMUNITY COMPETENCE, AND THERE WILL BE MORE AS THE EC DEVELOPS, FOR THIS SIMPLE APPROACH TO SUIT OUR REQUIREMENTS. FURTHERMORE, IT IS FREQUENTLY ESSENTIAL TO BRING IN THE JAPANESE -- AND AT TIMES OTHERS SUCH AS THE CANADIANS, AUSTRALIANS, SWISS AND SCANDINAVIAN COUNTRIES -- AT AN EARLY STAGE IN THE POLICY DISCUSSIONS. AND IN THE PAST, NEITHER THE EC, NOR THE JAPANESE FOR THEIR OWN REASONS, WERE WILLING TO AGREE TO A SEPARATE FORMAL US-EC (AS SUCH)-JAPAN LINK.

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19. THE ANSWER IS TO MAKE GREATER AND MORE IMAGINATIVE USE OF SUPPLEMENTARY PROTOCOL NO. 1 TO THE CONVENTION, DEVELOPED BY THE OECD'S FOUNDING FATHERS WITH MONNET'S INSPIRATION, WHICH ALLOWS THE EC TO BE REPRESENTED AS IT SEES FIT. THE U.S. SHOULD MAKE CLAR THAT IT WOULD WELCOME MORE ACTIVE EC PARTICIPATION IN THE OECD UNDER THE TERMS OF THIS PROTOCOL EVEN IN AREAS WHERE THE EC IS TRYING BUT HAS NOT YET FULLY SUCCEEDED IN SPEAKING WITH ONE VOICE. WE SHOULD, HOWEVER, INSIST THAT IT BE PREPARED TO DISCUSS POLICIES IN THE MAKING EVEN BEFORE FORMAL EC POSITIONS HAVE JELLED AND BEFORE ALL CONSULTATIONS BECOME IMPOSSIBLE. WE GAVE AN EXAMPLE OF THIS METHOD WHEN UNDER SECRETARY COOPER DISCUSSED USG HIGH LEVEL THINKING ON NORTH/SOUTH ISSUES BEFORE IT BECAME

FIRM U.S. POLICY. ON THE OTHER HAND, THE EC SHOULD BE DISCOURAGED FROM TRYING TO ACT AS A UNIT IN OECD WHERE IT WOULD SIMPLY MAKE NO SENSE, E.G., IN THE AREA OF ECONOMIC POLICY WHERE REALITIES IMPOSE POLICY ANALYSIS AND HARMONIZATION ON THE BASIS OF NATIONAL ECONOMIES. WITH THESE UNDERSTANDINGS OECD CAN ACCOMMODATE TO THE EVOLUTION OF THE COMMUNITY AND THEREBY TO THE FURTHER DEVELOPMENT OF AN ESSENTIALLY TRILATERAL PATTERN OF COOPERATION. TWO ADDITIONAL ORGANIZATIONAL ARRANGEMENTS MIGHT BE USED:

A) THE EC AS SUCH SHOULD BE INCLUDED WHEREVER POSSIBLE IN THE INFORMAL BUREAUS OF SEVEN, REPRESENTED EITHER BY THE PRESIDENCY OR THE COMMISSION OR BOTH (TO BE DETERMINED BY THE EC).

B) THE OFFICIAL BUREAUS FOR THE MAJOR COMMITTEES MIGHT CONSIST OF ONE CHAIRMAN AND TWO OR THREE VICE-CHAIRMEN DIVIDED BETWEEN THE U.S. (OR CANADA), EC (PRESIDENCY OR COMMISSION), AND JAPAN, AND (POSSIBLY) ONE OUTSIDER.

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THIS PROPOSAL WOULD GO A LONG WAY TOWARDS ENSHRINING THE TRILATERAL PRINCIPLE IN OECD MANAGEMENT AND MAY BE A BIT PREMATURE FOR THE EC COUNTRIES TO ACCEPT. HOWEVER, IT WOULD DEMONSTRATE OUR ENCOURAGEMENT OF THE COMMUNITY TO PARTICIPATE ACTIVELY IN THIS ORGANIZATION.

20. SIXTH, THE ISSUE OF OECD ENLARGEMENT AND THE RELATIONSHIP OF OECD WITH LDC'S SHOULD BE SEEN AS PART OF THE INTEGRATED STRATEGY TOWARDS NORTH/SOUTH RELATIONS BRINGING ANY OF THE MEDIUM INCOME LDC'S INTO OECD AT THIS STAGE AND IN THE FORESEEABLE FUTURE WOULD BE VERY DESTRUCTIVE OF THE BASIC UTILITY OF THIS ORGANIZATION WHICH IS PREDICATED UPON LIKEMINDED NATIONS DEALING WITH COMMON PROBLEMS IN A NON-IDEOLOGICAL ATMOSPHERE. WHILE THE OECD MEMBERS DIFFER GREATLY IN IMPORTANCE, THEY DO AT LEAST BEGIN WITH A COMMON FRAME OF REFERENCE. HOWEVER, IT IS IMPORTANT TO BUILD ON THE DIALOGUE BETWEEN THE OECD COUNTRIES AND LDCS BEGUN AT CIEC, AND WE HAVE SPELLED OUT SOME POLICY OPTIONS FOR ACCOMPLISHING THIS IN OUR ANNUAL POLICY ASSESSMENT. IF WE DO NOT PROCEED TO MAINTAIN THE CIEC

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DIALOGUE WE WOULD BE VERY MUCH IN FAVOR OF SEEKING TO ESTABLISH LIAISON RELATIONS WITH A NUMBER OF REPRESENTATIVE LDCS, ESSENTIALLY FOR THE PURPOSE OF BROAD ECONOMIC POLICY DISCUSSIONS. IT MIGHT ALSO BE USEFUL TO PROVIDE SOME LDCS SELECTIVE ACCESS TO DOCUMENTATION AND ANALYSES BY THE OECD SECRETARIAT AND CERTAIN BODIES OF THE ORGANIZATION IN CASES WHERE THIS WOULD ENHANCE THE UNDERSTANDING BY THE DEVELOPING NATIONS OF COMMON PROBLEMS.

21. THESE INSTITUTIONAL CHANGES COULD BE ACCOMPLISHED WITHOUT FORMAL REFORM OF THE ORGANIZATION, BUT WOULD REQUIRE THE CONCERTED POLITICAL WILL OF THE BIG POWERS AND U.S. INITIATIVE AND LEADERSHIP WOULD BE IMPERATIVE. WHEN IT IS CLEAR THAT THE MAJOR COUNTRIES WHO ARE RESPONSIBLE FOR WORLD PROSPERITY ARE DETERMINED TO MEET THE PROBLEMS OF MODERN ECONOMIC RELATIONSHIPS, NONE OF THE SMALLER NATIONS WOULD STAND IN THE WAY. THEIR OWN STAKE IN SUCCESSFUL MANAGEMENT OF THE SYSTEM IS TOO IMPORTANT AND THEY WILL NOT WANT TO RISK SENDING THE BIG POWERS ELSEWHERE FOR THIS PURPOSE.

22. BECAUSE IT PROVIDES THE HIGHEST LEVEL DEMONSTRATION OF POLITICAL WILL, THE BEST PLACE FOR LAUNCHING IMPORTANT POLICY INITIATIVES AND CONSIDERING THE CONCOMITANT

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INSTITUTIONAL IMPROVEMENTS NEEDED IN OECD WOULD BE AT
AN ECONOMIC SUMMIT. ONE SCENARIO TO BE CONSIDERED WOULD
BE TO HAVE THIS OR SOME FUTURE SUMMIT LAUNCH A RAPID
WISE MEN'S STUDY ON THE SUBSTANCE OF INTERNATIONAL ECO-
NOMIC POLICY AND THE ADEQUACY OF EXISTING ECONOMIC
INSTITUTIONS. THIS WAS DONE WITH GREAT SUCCESS BY AN
EARLIER SUMMIT OF FOUR IN 1959. THE PROCESS THAT
ENSUED LED TO THE CREATION OF OECD. PERHAPS
ENOUGH CHANGES HAVE OCCURRED IN THE ECONOMIC SYSTEM
SINCE THEN THAT A SIMILAR THOROUGH DISPASSIONATE LOOK
SHOULD AGAIN BE TAKEN.
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Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: f94ac19c-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 13
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 OECD PARIS 9564, 77 OECD PARIS 2175, 77 OECD PARIS 981
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 01-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2679401
Secure: OPEN
Status: NATIVE
Subject: SOME OBSERVATIONS AND RECOMMENDATIONS ON INSTITUTIONAL ASPECTS OF WORKING THROUGH OECD
TAGS: EFIN, ECON, US, OECD
To: STATE
Type: TE
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